



Business Roundtable

**Testimony to
the Senate Finance Committee,
Hearing on “Health Care Reform: An Economic Perspective”**

**Ivan Seidenberg, CEO
Verizon, Inc**

**Chair,
Consumer Health and Retirement Initiative**

November 19, 2008

Introduction

I am pleased to present testimony on the financial crisis in our society and its impact on access to health care services for all Americans. Today, I am presenting this testimony on behalf of the Business Roundtable, an association of chief executive officers of leading U.S. companies with \$4.5 trillion in annual revenues and almost 10 million employees. Member companies comprise nearly a third of the total value of the U.S. stock markets and represent over 40 percent of all corporate income taxes paid to the federal government. Collectively, Business Roundtable companies returned \$114 billion in dividends to shareholders and the economy in 2006. Business Roundtable appreciates your leadership, Chairman Baucus, Senator Grassley and other Senators on this Committee, in holding this important hearing to explore ways to improve our health care system so that all Americans can have access to affordable health care.

With nearly a quarter of a million employees, plus dependents and retirees, Verizon Communications provides health insurance coverage to approximately 900,000 Americans at a cost of about \$4 billion a year.

As the provider of health coverage to almost 35 million Americans, Business Roundtable companies play a significant role in helping American workers and their families obtain medical care. Business Roundtable CEOs consistently cite health care as their number-one cost pressure. Rampant cost increases in the medical system mean we're paying *more* for *less* value. Health care costs are inhibiting job creation and damaging our ability to compete in global markets. They are also imposing a major strain on the household incomes of many Americans. In these times of financial insecurity, maintaining jobs and retaining the health care benefits is an enormous strain

on both employees and employers. We believe health care reform should be addressed now as we work our way through these difficult financial times.

Today, *all* employers make difficult economic decisions about whether to offer health insurance and face enormous increases year after year. Add to this, two alarming facts:

First, one-sixth of our economy is spent on health care. In 2007, total national health expenditures were expected to rise 6.9 percent — two times the rate of inflation. Total spending was \$2.3 trillion in 2007, or \$7600 per person. Total health care spending represented 16 percent of the gross domestic product (GDP). U.S. health care spending is expected to increase at similar levels for the next decade reaching \$4.2 trillion in 2016, or 20 percent of GDP.¹

Second, over 177 million American get health insurance coverage through their employer, yet we are facing an unemployment rate at a 14-year high of 6.5 percent. It is estimated that a single percentage-point increase in unemployment could increase the number of uninsured by 1.1 million. This means more uninsured, more who will qualify for public programs, and continued increase in premiums due to a cost-shift to those Americans who have health insurance. It is critical that we focus on ways to improve efficiencies to reduce costs just as much as we focus on expanding access to health insurance coverage. If we fail to do so, we risk being able to maintain *current* levels of health insurance coverage and we may find expanding coverage to be unattainable.

¹ Poisal, J.A. et al, Health Spending Projections Through 2016. Health Affairs (21 February 2007).

During these economic difficulties, we must commit to retain what is good about our health care system, yet find ways to improve the value and the costs, and provide affordable health insurance options for Americans.

Thank you, Chairman Baucus, for providing us with your views on how to improve health care coverage for all Americans. Your paper, "Call to Action, Health Reform 2009," contains many of the same suggestions that we, as CEOs joined at Business Roundtable, will make today. Thank you, Senator Grassley, for your leadership on health care reform. The work you have done, with Chairman Baucus, over the years has shown an extraordinary commitment by both of you to work together and find practical solutions to improving Medicare. To all the members of the Senate Finance Committee, I look forward to talking to you about our suggestions on how to improve our health care delivery system so that more Americans have affordable health insurance coverage.

Financial Situation

First, let me discuss our financial situation. As leaders of many of the largest American companies, Business Roundtable members know personally that the ongoing turmoil in global capital markets is placing great stress on businesses throughout the American economy — both financial and non-financial companies — as well as on workers and consumers. For non-financial businesses, the reduced access to credit markets is constraining the ability of American businesses to stock inventories, purchase new equipment, meet payroll and pay vendors. Left unchecked, this breakdown in lending may lead to a deep and sustained recession both at home and abroad, with significant job losses. Significant job losses mean that many more

Americans may lose their health insurance benefits. I appreciate your leadership in understanding that our economy needs help and that all Americans are depending on your leadership in finding the right solutions to address this crisis.

For the record, on behalf of Business Roundtable, I wish to express our strong support for new bipartisan legislation to address the severe financial credit disruptions in order to restore stability to the credit markets and the U.S. economy, which will help American workers, families and companies recover from the current economic downturn.

We applaud the actions of the Congress, the Administration and the Federal Reserve to date, that are intended to restore confidence in the banking system and additional efforts within the G-7 and G-20 countries to deal with this problem on a coordinated basis. However, the problems facing the credit markets are unprecedented, and additional legislative actions are required to assist the economy.

Recent events have demonstrated the close interrelationship between employer-paid health and retirement benefits and the economy as a whole. That connection is made clear by the current pension funding dilemma. The steep and sudden market declines have created immediate and significant pension contribution mandates. Unless prompt action is taken to allow those unexpected pension contributions to be smoothed over time, employers will not be able to retain as many workers, invest in job training, maintain the same robust health plans, or pursue capital improvements that are critical to the economic recovery. We know that the Members of this Committee have been examining the pension funding issues and we urge you to act quickly.²

² See attachment, Business Roundtable letter, November 14, 2008, to Congressional leaders.

Business Roundtable also believes that for broader economic legislation to be truly successful it must address two fundamental concerns.

First, policies must address the problems of liquidity confronting U.S. companies in order for the U.S. economy to return to growth.

Second, to promote a more rapid recovery, the economic stimulus package has to accelerate job creation and speed the return to work of unemployed workers.

Business Roundtable has made recommendations for addressing these issues and we offer our assistance to work with you to closely evaluate these and other proposals that Congress may consider to resolve the current credit crisis and bring about a quick and robust economic recovery for American workers, families and companies.³

Health Care Reform – Business Roundtable’s Principles

Today, I want to share with you our principles for improving the health care marketplace for all Americans.⁴ Our suggestions are offered as ideas — we, as Business Roundtable CEOs, are prepared to work with you to improve the health care system and these principles are intended to begin the dialogue to find the right balance between preserving what is the best in our health care system and finding ways to expand affordable coverage to more Americans.

In September, we released a document entitled “Health Care Reform in America: A Business Roundtable Plan.” This contains our principles to improve our system. We all recognize that the American health care system is among the best in the world. When it comes to scientific advances, medical technology and the quality of our doctors,

³ See attachment, Business Roundtable letter, October 30, 2008, to Congressional Leadership, Senators McCain and Obama, Federal Reserve Chairman Bernanke, and President Bush.

⁴ See attachment, Business Roundtable, “Health Care Reform in America,” September 2008.

health care providers and hospitals, the United States is “the gold standard.” From our perspective, the problem with the health care market in this country is that it doesn’t really function as a market — it leaves major consumer needs unmet, costs unchecked by competition, and basic practices untouched by the productivity revolution that has transformed every other sector of the economy.

Contrast that to the communications industry, for example, where we’ve seen technology and competition invigorate our business and ignite innovation. Information technology has revolutionized the interface between customers and providers. The norms of the electronic marketplace — personalization, control, price and quality transparency, and 24-by-7 availability — have become part of the customers’ expectations in just about every aspect of life — except in our health care system.

Business Roundtable’s plan improves our health care system and contains four pillars:

1. Creating greater consumer value and efficiency in the health care marketplace;
2. Providing more affordable health insurance options for all Americans;
3. Placing an obligation on all Americans to have health insurance coverage and encouraging all Americans to participate in prevention and chronic care programs; and
4. Offering assistance to uninsured, low-income families to meet their obligation.

Business Roundtable strongly urges that any plan adopted by Congress reinforce the existing employer-based system through which Americans currently receive health benefits. The federal ERISA statute that governs these plans gives employers the flexibility to design and finance plans that meet their employees’ needs — a system that has proven successful in making coverage widely available to workers. Tampering with

this law at this time could cause massive dislocations for those 132 million Americans who have workplace coverage.

When it comes to health care reform, ERISA isn't broken and does not need fixing. What is broken is that there are 45 million Americans without insurance coverage — because their employers don't offer it, they don't elect it, they can't afford it, they don't enroll in programs where they are eligible, or they can't get it in the private marketplace. We must address this issue now. Let me provide more detail about our principles:

1. Creating Greater Consumer Value in the Health Care Marketplace

Today's health care system needs to use modern technology. Health care consumers find it difficult to obtain reliable information on the cost and effectiveness of care. Business Roundtable recommends several actions to empower consumers to take charge of their own health and use technology to make the system more efficient:

First, the most egregious flaw in the current health care delivery model is the woeful rate of adoption of information technology (IT). Health care has failed to capitalize on the productivity revolution that has transformed almost every other sector of the economy. A heavy dose of IT has been shown to improve efficiency by 25-percent over three years every time it's introduced and can and will demonstrate savings in health care.⁵ We believe the government should adopt uniform, interoperable health information technology standards so that all the systems can communicate with each other. This can be done through federal rulemaking or through

⁵ See attachment, Medco, A Prescription for National Healthcare Reform.

the government purchasing authority — so long as the Medicare program has the authority to require the use of health information technology systems.

Second, consumers need more transparency and wider distribution of information about the cost, quality and effectiveness of the health care services they purchase. This will make the market function better, create better health care consumers and improve the quality of medical care. We specifically support the dissemination of consumer information on the cost and quality of health care, comparison of the effectiveness of health care services and supplies, and the release of CMS data in an appropriate manner.

Third, the current Medicare reimbursement system pays for “activities,” not “outcomes.” The private marketplace generally does the same — we have tried to fix this through various partnerships and programs. To get meaningful change, all payers must be included in rewarding performance. We support changing payments by public and private payers, including Medicare, to reward the value of services provided, not the volume of the service.

2. Providing More Affordable Health Insurance Options for All Americans

Over 177 million Americans obtain health insurance coverage through their employers — almost 133 million through private employers. Almost all private employers offer plans that are governed under the federal Employee Retirement Income Security Act, or ERISA. This law establishes fiduciary requirements, administrative requirements, and procedures to resolve problems in the plans. We encourage the Senate Finance Committee to continue supporting this federal framework for those employers who offer their employees health care benefits.

However, for many Americans, who do not have access to employer-sponsored coverage, they must rely on the health insurance marketplace for their coverage. The structure of the market itself is state-by-state. This marketplace has become inflexible, is overly prescriptive, creates market segmentation, and is afflicted with dueling mandates, rules and regulations. In our vision, the current state-based system could be replaced by multi-state markets and there would be more people eligible for this new market. We believe that this expanded market should be covered by rules — state solvency requirements and consumer protections would apply. There should be greater consistency in applying other rules and rate setting and possible guaranteed issue requirements. Risk adjustments and reinsurance issues would need to be explored. We need a better marketplace for all Americans to get **affordable** and **portable** health insurance coverage. We have learned lessons about how to create good markets under the Medicare Modernization Act — and this Committee has an understanding of the right balance of rules between the federal, state and private marketplace. We would like to work with you on finding the right balance for individuals who do not have coverage through their employer.

3. Placing an Obligation on All Americans to Have Health Insurance Coverage

While many Americans do have health insurance coverage through their employer, millions of Americans do not have coverage at all. At Business Roundtable, we have been educated on who *are* those Americans who do not have health insurance coverage.⁶ Today, there are some 45 million Americans who do not have coverage.

⁶ See attachment, Aetna's "Covering the Uninsured: Who Are The Uninsured?"

- 4.7 million are college students;
- Just fewer than 10 million are non-citizens;
- About 11 million are currently eligible for public programs, such as Medicaid and SCHIP, but they have not enrolled; and
- More than 9 million have household incomes over \$75,000, yet they do not purchase or elect employer-sponsored coverage.

We believe a “one-size-fits-all” solution will not work because this group is far from monolithic. For many of these Americans, obtaining coverage isn’t so much financial, as it is structural. We need to have a competitive system that provides Americans with affordable options that are suitable for their families. However, we believe that all Americans should have health insurance coverage — as an obligation through auto-enrollment or some other mechanism.

We also support encouraging all Americans to participate in employer- and community-based prevention and chronic care programs.⁷ Many Business Roundtable employers offer prevention and chronic care programs to their employees and there are many worthwhile efforts in which Americans can participate. More needs to be done to educate and encourage participation.

4. Offering Health Coverage and Assistance to Low-Income, Uninsured Individuals and Families

For some low-income uninsured families, health care coverage is unaffordable. We believe that the government should provide financial assistance so that low-income individuals and families can purchase coverage from the private market. These targeted subsidies would be funded from the cost efficiencies in improving the health

⁷ See attachment, Business Roundtable “Doing Well through Wellness,” a 2006-07 Survey of Wellness Programs at Business Roundtable Member Companies.

care marketplace and by expanding the number of lives that are covered by the less fragmented health insurance marketplace. We want this assistance to be used either in the newly established health insurance marketplace or by paying the individual's portion of the premium if they are eligible for employer-sponsored health insurance coverage.

Medical Liability Reform

We also encourage Congress not to lose focus on medical liability reform. Chairman Baucus, we support S. 1481, the "Fair and Reliable Medicare Justice Act" that you have sponsored with Senator Enzi. We hope you will reintroduce this legislation next Congress. We believe Congress should authorize pilot projects to evaluate alternative ways to resolve medical liability claims and then enact measures that enhance the fair compensation of individuals who are actually harmed as a result of negligence by a provider of health care services.

In addition, we believe that evidence-based medicine that is developed through quality measures will make a difference. Dr. Rohack, the President-Elect of the American Medical Association, has said that the American Medical Association has already developed 261 clinical measures. The Business Roundtable believes that these types of measures should be followed and treated as a defense in medical liability actions. The AMA is working to ensure that evidence-based appropriate medical care is provided, health information technology will help this, and we need to get the right incentives in place to help physicians to have the resources to purchase HIT. Reducing the unwarranted variation in physician practice, building an evidence-based system, improving the "business model" of health care through investment in health information

technology, and moving toward reducing the impact of medical liability fears can do a lot to improve the cost and quality of health care.

Efforts to Reach Consensus and Real Examples to Achieve Reform

I want to highlight two important examples of how we can reach consensus on how to improve the health care system: one is through a “strange bedfellows” group of Washington-based organizations that are calling for reform. The other relates to efforts at Verizon, as part of our collective bargaining agreement, where we agreed with the Communication Workers of America (CWA) union and the International Brotherhood of Electrical Workers (IBEW) on specific health care principles for reform.

Divided We Fail

Let me start with Divided We Fail (DWF). Representing more than 53 million people, this organization includes Business Roundtable, AARP, the Service Employees International Union (SEIU) and the National Federation of Independent Business (NFIB). The group was launched almost two years ago to call on Congress to enact bipartisan health care reform and to improve the long-term financial security for all Americans. We have principles that we believe all Americans should have access to affordable health care; that wellness and prevention efforts should be priorities; and that a focus on long-term care is necessary.

On long-term financial security, we believe Social Security must be strengthened, there should be financial incentives to save, and we need to provide all Americans with the tool to help manage their finances. Divided We Fail provides constructive input on the changes that are needed on health care reform. Most Members of Congress have

joined in our pledge along with more than one million Americans. And, we have worked together in support of legislation.

Last year, we joined together to support passage of health information technology legislation. This year, it is our hope we can join together in support of positive reforms in our health care system.

Verizon, CWA, and IBEW National Health Care Reform Principles

As I stated earlier, Verizon, as part of our collective bargaining agreement, came to agreement with the CWA and IBEW on specific health care reform principles. Collectively, we are committed to working together to achieve meaningful health care reform that covers everyone; controls costs; shares the responsibility for coverage; and improves quality. We will work together to educate Verizon employees and the public about the health care crisis and options for solutions that meet our principles.

Conclusion

We want to work with you on finding solutions — and our plan is also to use the power of the market to drive down costs, drive up quality and improve access to health care for all Americans. Chairman Baucus, all ideas are good — you have captured some of the important issues we support. Some issues in your plan need to have further discussion about the costs and impact on the workforce. But, we want to work with you, and all Members of this Committee, to find realistic solutions to improve our current fragmented system. The challenge of reforming the health care system goes to the very heart of American competitiveness and innovation:

- When Americans are afraid to switch jobs or start their own business for fear of losing their health insurance;
- When American-made products carry a health-care premium that foreign-made goods do not;
- When Americans who currently have health insurance coverage must pay higher costs to subsidize those who do not have coverage;
- When America is not leading the world in technological innovation in health care delivery; and
- When year after year, we are spending more money and getting less value, then America's very place in the global economy and our ability to help those who are low-income are all at risk.

Our principles and ultimately your proposal must emerge from the uniquely American principles that drive our economy: competition, innovation, choice and a marketplace that serves everybody. We want to go to work with you to find solutions that are common sense and practical. Thank you for the opportunity to testify.

Attachments



Business Roundtable

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October 30, 2008

Individual letters to be sent to the following:

Congressional Leadership
Senators McCain and Obama
Federal Reserve Chairman Bernanke
President Bush

Harold McGraw III
The McGraw-Hill Companies
Chairman

Kenneth I. Chenault
American Express Company
Vice Chairman

G. Richard Wagoner, Jr.
General Motors Corporation
Vice Chairman

John J. Castellani
President

Larry D. Burton
Executive Director

Johanna I. Schneider
Executive Director
External Relations

Re: Liquidity Crisis and Economic Stimulus

Dear _____:

On behalf of Business Roundtable, I am writing to express our strong support for new bipartisan legislation to address the severe financial credit disruptions in order to restore stability to the credit markets and the U.S. economy, which will help American workers, families and companies recover from the current economic downturn.

We applaud the actions of the Congress, the Administration and the Federal Reserve to date that are intended to restore confidence in the banking system and additional efforts within the G-7 countries to deal with this problem on a coordinated basis. However, the problems facing the credit markets are unprecedented, and additional legislative actions are required to assist the economy.

Business Roundtable believes that for legislation to be truly successful it must address two fundamental concerns.

First, policies must address the problems of liquidity confronting U.S. companies in order for the U.S. economy to return to growth.

Second, to promote a more rapid recovery, the economic stimulus package has to accelerate job creation and speed the return to work of unemployed workers.

The enclosed recommendations will assist in resolving the immediate liquidity problems and will support a more rapid recovery. These proposals will enable the U.S. economy to return to full strength

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more quickly and minimize job losses. Our recommendations are based on the front-line experience of our members. Business Roundtable is a CEO-led organization of over 160 leading corporations, with a combined workforce of more than 10 million employees and more than \$5 trillion in annual revenues. Business Roundtable's highest priority is to sustain growth of the U.S. economy in order to achieve higher living standards for all Americans.

As leaders of many of the largest American companies, Business Roundtable members know personally that the ongoing turmoil in global capital markets is placing great stress on business throughout the American economy – both financial and non-financial companies – as well as on workers and consumers. For non-financial businesses, the reduced access to credit markets is constraining the ability of American business to stock inventories, purchase new equipment, meet payroll and pay vendors. Left unchecked, this breakdown in lending may lead to a deep and sustained recession both at home and abroad, with significant job losses.

We are cognizant that additional measures will likely increase an already significant deficit in 2009. Business Roundtable has always placed a high priority on deficit reduction as a means to enhance sustained economic growth. However, in order to avoid a prolonged and potentially deeper recession than the country has experienced in recent times, we believe a short-term increase in the deficit is an acceptable, although unfortunate, outcome at this time. This does not mean that Congress can ignore deficits now, nor when the economy recovers. Measures to control future spending will be even more important given the increased debt this nation is now incurring.

Business Roundtable offers assistance to work with you to closely evaluate these and other proposals that you may consider to resolve the current credit crisis and bring about a quick and robust economic recovery for American workers, families and companies.

Sincerely,

A handwritten signature in black ink, appearing to read "Harold McGraw III". The signature is fluid and cursive, with a stylized "H" and "M".

Harold McGraw III

Enclosure: Business Roundtable Recommendations to Promote Liquidity and Economic Stimulus

BUSINESS ROUNDTABLE RECOMMENDATIONS TO PROMOTE LIQUIDITY AND ECONOMIC STIMULUS

Accelerate Economic Recovery by Promoting Liquidity for Businesses

America's businesses fund their ongoing capital requirements through access to capital from equity markets, debt markets and retained earnings. To date, legislation passed by Congress and actions taken by the Administration and the Federal Reserve have resulted in a number of significant and historic steps to restore the functioning of debt markets, but these markets still remain in severe distress. As noted in a recent speech by Federal Reserve Bank President Janet Yellen, borrowing rates for most businesses are higher now than at the beginning of the crisis in August 2007 despite a 375 basis point reduction in the federal funds rate over this period.

Short-term Regulatory and Federal Reserve Actions to Promote Liquidity:

- Additional measured actions should be considered by the Federal Reserve and Treasury under existing authority to lower the cost of funds to business. One immediate step is for the Federal Reserve to expand its purchases of commercial paper through the Commercial Paper Funding Facility to all investment grade instruments ('A' and 'BBB' or higher securities) rather than just the most highly rated securities currently eligible and to extend the program to indirect issuers.
- Treasury should use some of the funds provided under the Emergency Economic Stabilization Act to provide direct infusions to auto finance and auto companies.

Short-term Legislative Stimulus Recommendations to Promote Liquidity for Business:

- Temporarily allow foreign subsidiary earnings of U.S. companies to be brought back to the United States. This will immediately provide more capital to U.S. companies for their capital needs. As a result of the current liquidity crisis, the importance of these funds is even greater at this time and, appropriately structured, this measure can bring about meaningful changes in liquidity and economic activity in the United States.
- Temporary relief from pension funding requirements. Stringent new funding rules adopted in the 2006 Pension Protection Act (PPA) are still being phased-in. Recent market declines and the shortage of available credit require a reevaluation of the transition to those new rules. The volatile and unexpected cash flow demands on plans caused by the recent economic downturn should be smoothed, with those plans prudently returned to full funding status over a reasonable period. Without temporary funding relief, the economic recovery will be slowed as available resources are diverted from job creation. Moreover, retirement security will be eroded as some employers will be forced to freeze or terminate their pension plans in order to meet the unanticipated and immediate increase in required plan funding.

- Temporarily extend the carry back period for net operating losses from 2 years to 5 years through 2009 and waive 90% limitation for AMT. Businesses with current losses may carry back these losses for 2 years, but if losses exceed profits in these years they must carry the losses forward to offset future income. Extending the carry back period from 2 years to 5 years and temporarily waiving the limitation on use of net operating losses against alternative minimum tax (AMT) (as was done in 2002) will enhance liquidity of businesses with current losses.
- Extend bonus depreciation and adopt a temporary investment tax credit. The 50-percent bonus depreciation provision enacted earlier this year is set to expire at the end of 2008. This provision should be extended, including the provision to monetize credits for companies in a loss position. Additionally, an investment tax credit should be considered for new investments. First adopted under President John F. Kennedy, an investment tax credit of 10 percent applied to most equipment purchases by businesses until 1986. This credit was frequently employed on a temporary basis throughout the 1960s to promote investment during economic downturns and was credited with having a significant investment response. Today, during this period of reduced liquidity, an investment tax credit can help stretch scarce capital by lowering the cost of undertaking new investment.
- Temporarily extend and expand the ability to "monetize" existing tax credits. Under the Housing and Economic Recovery Act of 2008, enacted on July 30, 2008, companies can accelerate a portion of their unused pre-2006 research credits and alternative minimum credits in lieu of claiming the temporary 50-percent bonus depreciation allowance. Expanding the provision to provide immediate monetization regardless of investment amount, cover all general business credits, as well as increasing the amount of unused credits that may be claimed or refunded through this provision or similar mechanism, will enhance liquidity of businesses with current losses or otherwise unable to claim these credits. Companies in a loss position are an important component of the companies that need access to capital and allowing for utilization of their already existing credits will help increase their liquidity and ability to fund new investments. These companies should be allowed to immediately monetize all of their prepaid AMT credits and earned but unused general business credits.
- Loosen restrictions on capital losses for corporations. Currently, corporations can deduct capital losses only to the extent of their capital gains, and excess capital losses can be carried back three years and carried forward five years. Easing the restrictions on capital losses by, for example, allowing corporations to treat losses on the sale of stock or debt securities as ordinary would be an effective way to bolster liquidity in difficult economic times, when losses of all types tend to increase.

- **Allow financial services companies to accelerate bad debt deductions.** Until 1986, companies generally could deduct reasonable additions to bad debt reserves rather than postpone the deduction until such time the debt was written off. After 1986, the so-called reserve method is available only to small banks. Expanding the reserve method to the broader financial services sector including large banks would be an effective means of improving liquidity for companies that have been particularly hard hit in the current economic downturn.
- **Temporary reduction in required estimated tax payments of corporations to 90% of current liability.** A temporary reduction in estimated tax payments can provide companies with additional short-term liquidity without creating any revenue loss to the federal government over the 5-year or 10-year budget periods.
- **Temporarily exclude debt repurchases from cancellation of indebtedness income.** The current credit crisis has depressed the value of debt issued by many companies with sound balance sheets. Companies that issued such debt may wish to repurchase their own debt to strengthen their own balance sheets and, since some of this debt is also held by financial institutions, such repurchases would also strengthen bank balance sheets in a manner similar to that intended under the Troubled Asset Repurchase Program. Companies can be encouraged to re-purchase this debt by temporarily relieving such repurchases by issuers (and parties treated as related to the issuer) from rules treating these repurchases as giving rise to discharge from indebtedness income.

Accelerate Economic Recovery by Supporting Workers, Promoting Employment and Moving toward a More Efficient and Sustainable Energy Future

Jobs are the source of strength in the American economy. Job creation, as well as maintaining employment during a declining economy, is vital for economic growth. The cost of job dislocation can be reduced by getting dislocated workers back to work more quickly. Helpful policies include reducing employment-based taxes on a temporary basis, offering job training for employees and dislocated workers, and maintaining incentives for workers to regain employment.

Our economy also is facing unprecedented energy challenges and the need to address these challenges through use of clean and efficient energy strategies. Measures aimed at creating green jobs motivate creation of capacity in an area vital to both our short-term economic health and our longer term energy security.

Short-term Legislative Stimulus Recommendations to Support Workers, Promote Employment and Move toward a More Efficient and Sustainable Energy Future

- **Expand energy efficiency initiatives.** Expansion of the labor intensive Weatherization Assistance Program to retrofit homes with additional insulation (currently about 70,000 homes) would not only create additional jobs, but also save consumers on their utility bills. Energy efficiency block grants to states

would enable states and localities to upgrade building efficiency requirements and/or match current state programs to finance efficiency retrofits of existing buildings.

- Fund green technology job training programs. The Energy Independence and Security Act of 2007 included training for green jobs, but nothing was appropriated for FY 2008. Labor shortages exist right now and demand for workers with these skills is growing.
- Temporarily extend unemployment benefits for workers who exhaust standard unemployment benefits. Consider also offering personal re-employment accounts that provide unemployed workers with funds for training, child care, transportation, moving costs, or other expenses associated with finding a new job. Recipients who take a new job within a defined period would be allowed to keep the funds remaining in the account as a re-employment bonus. Studies of experimental programs find these accounts help workers regain employment faster and at wages similar to those ultimately attained by unemployed workers without such accounts.
- Focus infrastructure investments. Infrastructure spending should focus on projects that can be undertaken quickly to repair critical infrastructure as well as build a more efficient, sustainable energy future. In addition, funding currently approved, but unfunded federal laboratory and university research infrastructure modernization and major research instrumentation procurement through existing federal programs would rapidly stimulate new construction and equipment purchases.
- Temporarily reduce the Social Security tax rate by one percentage point for both employees and employers. This enhances labor market incentives by reducing labor costs for employers and providing increased after-tax wages for employees. A worker earning \$50,000 would receive tax savings of \$500 over a year, with the employer receiving similar savings. The Social Security trust fund would be made whole by a transfer of funds from general revenues to cover the temporary reduction in payroll taxes.
- Provide a worker training tax credit for employers. During an economic downturn, there is an increased need for workers to find new employment in areas for which they may be poorly trained. A tax credit for employers can increase the ability of employers in growing sectors of the economy to take on workers displaced from contracting sectors and help these workers quickly regain productive employment.



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November 14, 2008

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Chairman

Kenneth I. Chenault
American Express Company
Vice Chairman

G. Richard Wagoner, Jr.
General Motors Corporation
Vice Chairman

John J. Castellani
President

Larry D. Burton
Executive Director

Johanna I. Schneider
Executive Director
External Relations

Dear Chairman Baucus:

Last week, Business Roundtable shared some ideas on possible ways to improve the current economic situation. This letter provides additional information on the pension funding issues that we raised and urges you to take immediate action to address the problems that have been created for pension plans by recent economic conditions.

The sudden decline in the value of pension plan assets, when coupled with the current credit crunch, places defined benefit plan sponsors in a very difficult position. Plan sponsors are confronting unexpected funding obligations that greatly exceed even the most conservative forecasts and budgets. Resources that must be devoted to meet the unexpected new funding mandates will have to be diverted from maintaining payrolls and will delay the business investments necessary to preserve jobs and ultimately spur the recovery.

Let me emphasize, this is much more than a cash flow issue. It is a jobs issue and a broader economic issue that directly affects every American. Dramatically larger pension contribution requirements during an economic downturn reduce capital spending and exaggerate economic cycles. "Pro-cyclical" pension funding rules result in an economy that overheats more during upturns and has deeper recessions during downturns. That is precisely the economic threat we face today — large and unexpected pension contribution requirements will dampen the economic recovery and lead directly to greater job loss from the current recession.

Dr. Robert F. Wescott, former Chief Economist at the Council of Economic Advisors, and a distinguished team of academic reviewers have reached the same conclusion. They examined the interaction of

the pension funding rules and economic cycles and concluded that procyclical funding requirements result in greater job loss during recessions.

Business Roundtable member companies currently sponsor retirement plans benefiting millions of workers and retirees. We believe that pension plans must be prudently funded. Pension promises that are made must be kept because the retirement security of millions of Americans is dependent on it. Predictable and steady funding rules are important because they allow employers to make the long-term financial plans and commitments that are required when taking on pension obligations.

We urge immediate action to address this crisis. Specific steps you should consider are:

- **Smoothing.** Congress should enact the provision already passed by the House and Senate as part of PPA technical corrections legislation that makes clear that smoothing of asset gains and losses over 24 months is permitted under PPA. In order to make the asset smoothing change effective in this period of sharp market declines, Congress should temporarily remove the "corridor" that limits the benefits of the smoothing rule.
- **Transition to New Funding Rules.** The transition to new funding targets that was created in 2006 should be modified to reflect the new economic reality. The funding target for 2009 should remain 92% and the transition funding regime should apply not only to those at or above the phased-in funding target but also to those below these targets.
- **Permit New Funding Elections.** Congress should permit defined benefit plan sponsors to change their funding elections for 2009 and 2010.

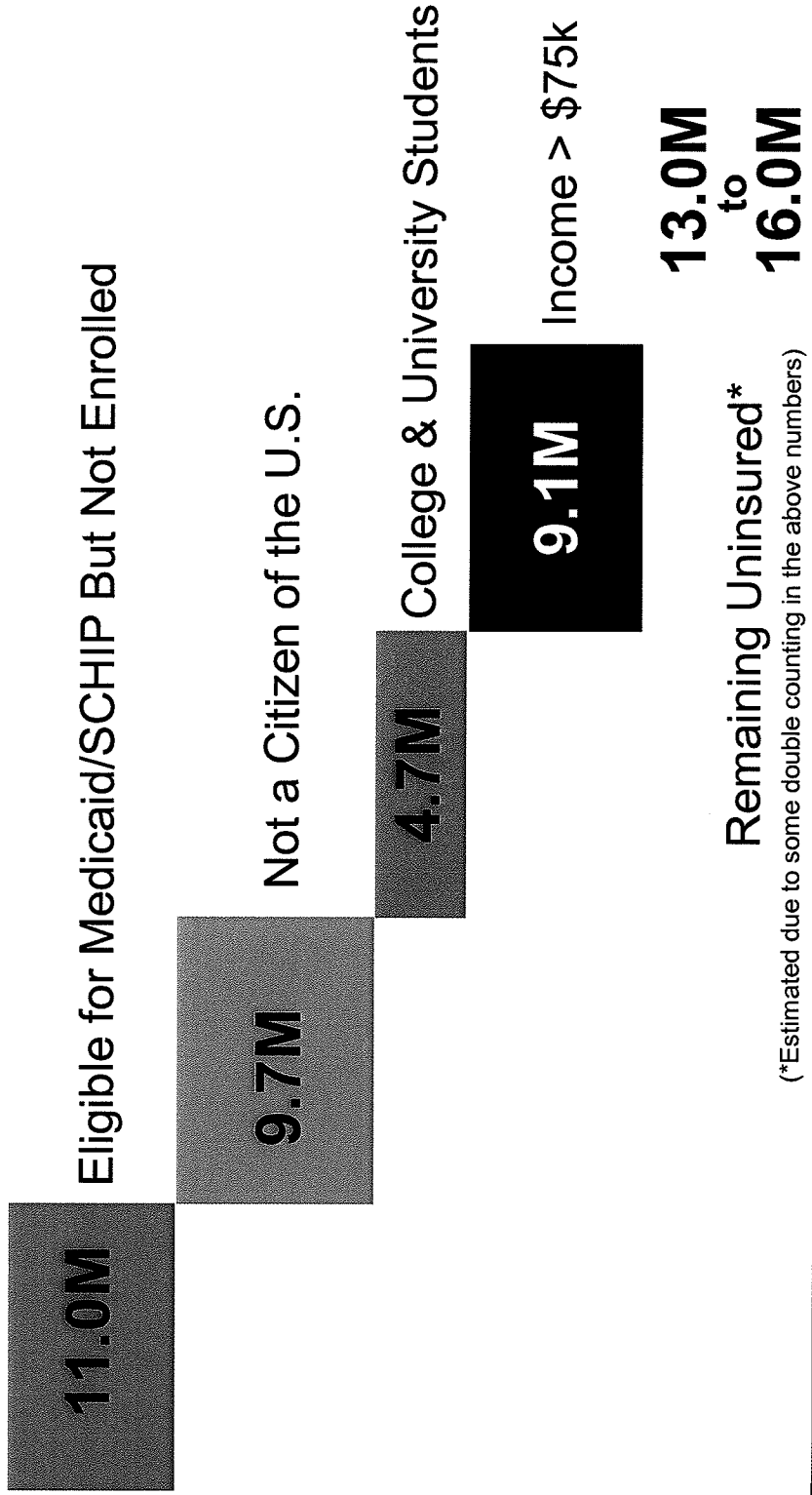
Sincerely,



John J. Castellani

Who Are The Uninsured?

45.7M



Remaining Uninsured*
 (*Estimated due to some double counting in the above numbers)

Covering the Uninsured

Sources: Total Uninsured, Not a Citizen and Income >\$75k: U.S. Census; "Income, Poverty, and Health Insurance Coverage in the United States: 2007." issued August 2008; Eligible-But-Not-Enrolled: Kaiser Commission on Medicaid and the Uninsured, "Characteristics of the Uninsured: Who is Eligible for Public Coverage and Who Needs Help Affording Coverage?", February 2007; College & University Students: GAO, "Most College Students are Covered through Employer-Sponsored Plans, and Some Colleges and States Are Taking Steps to Increase Coverage, March 2008; Estimated number of college students is made up of traditional college students (age 18-23) of ~1.7M and non-traditional aged college students of ~3.0M. Note: Non-citizens encompass undocumented persons and others, including lawful permanent residents and refugee/asylum seekers.



This document is confidential. Any prospective information that may be contained herein should not be construed as a prediction by Aetna of likely future events.

Updated September 16, 2008



Business Roundtable™

Health Care Reform in America

A Business Roundtable Plan

September 2008



Business Roundtable™

Business Roundtable (www.businessroundtable.org) is an association of chief executive officers of leading U.S. companies with \$4.5 trillion in annual revenues and nearly 10 million employees. Member companies comprise nearly a third of the total value of the U.S. stock markets and represent over 40 percent of all corporate income taxes paid to the federal government. Collectively, they returned \$114 billion in dividends to shareholders and the economy in 2006.

Business Roundtable companies give more than \$7 billion a year in combined charitable contributions, representing nearly 60 percent of total corporate giving. They are technology innovation leaders, with \$90 billion in annual research and development (R&D) spending — nearly half of the total private R&D spending in the U.S.

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Health Care Reform in America

A Business Roundtable Plan

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I. Introduction

Business Roundtable members provide coverage to more than 35 million employees and their families and are deeply committed to public policy changes that will improve our nation's health care system. To further this urgent priority, Business Roundtable has developed a health care plan aimed at creating a more competitive private health insurance marketplace while maintaining a strong, stable public safety net. This plan contains four elements to meet these goals:

- ▶ Creating greater consumer value in the health care marketplace;
- ▶ Providing more affordable health insurance options for all Americans;
- ▶ Placing an obligation on all Americans to have health insurance coverage;
and
- ▶ Offering health coverage and assistance to low-income, uninsured individuals and families.

II. Creating Greater Consumer Value in the Health Care Marketplace

The high cost of health care imposes an enormous burden on all Americans — raising the cost of health insurance coverage for those who have coverage and those who do not have coverage. Business Roundtable supports policies that will provide greater accountability, enhance efficiency and create value for all consumers of health care services.

Today's health care system needs to use modern technology. Health care consumers find it difficult to obtain reliable information on the cost and effectiveness of care. In addition, the health care payment structure emphasizes volume over quality. Building on Business Roundtable's existing principles to promote greater efficiencies, the Roundtable supports reform based on the following principles to create greater consumer value in the health care marketplace.

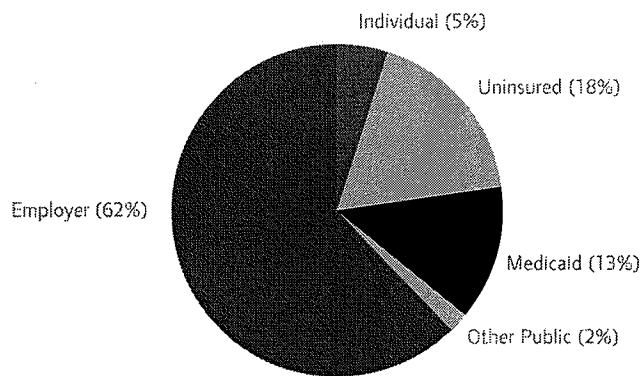
Specific principles:

- ▶ Adoption of uniform, interoperable health information technology standards;
- ▶ Dissemination of consumer information on the cost and quality of health care and comparison of the effectiveness of health care services and supplies; and
- ▶ Promotion of changing payments by public and private payers, including Medicare, to reward value of services provided, not volume.

III. Providing More Affordable Health Insurance Options for All Americans

Most Americans — a total of 177 million — obtain health insurance coverage through their employers. Approximately 133 million of these are covered under plans regulated by the Employee Retirement Income Security Act, or ERISA, which provides the framework for employer-sponsored coverage. This law has fiduciary requirements, administrative requirements and remedies. Business Roundtable supports continuation of employer-sponsored health insurance and the existing legal framework.

Health Insurance Coverage of Nonelderly, 2006



Source: Kaiser Family Foundation

To create greater health insurance options for all Americans, including insurance offered by large and small employers, Business Roundtable supports creating a more competitive marketplace in which health insurers could offer health coverage across state lines in regions, thereby expanding the numbers of people who could participate in the plans.

Specific principles:

- ▶ The Department of Health and Human Services (HHS) would establish regions, similar to those established under Medicare, to allow licensed insurance companies to compete in multistate areas where they hold at least one state license.
- ▶ Multistate plans would have the flexibility to offer plans to individuals and small and large employers throughout the states included in the area. These plans would not have to comply with mandated state benefit laws but would have to offer a minimum actuarial value plan.
- ▶ Low-income individuals who qualify for financial assistance would select coverage in these multistate markets.

An Open/All-Inclusive Market To Replace Segmented Insurance Markets

Current health insurance markets are segmented into two markets: (1) the self-insured/national plan market and (2) the insured market. Many health reform proposals would establish standardized benefit designs or further segment insurance markets to help certain purchasers through special rules. This proposal suggests taking the opposite approach — opening the market to all purchasers to increase access to competitive plans and allow additional choices for consumers.

Creating a Competitive, Multistate Marketplace without Disrupting Existing Business Opportunities

A framework could be used to govern new, multistate insurance market products, allowing insurers to offer health coverage across state lines within regions. Because of the wide geographic variation in health care spending, regions would combine similar markets. As variation decreases over time, regions could expand to potentially create a national market. Medicare Advantage, Medicare Part D and TRICARE all use multistate markets to improve access to benefits.

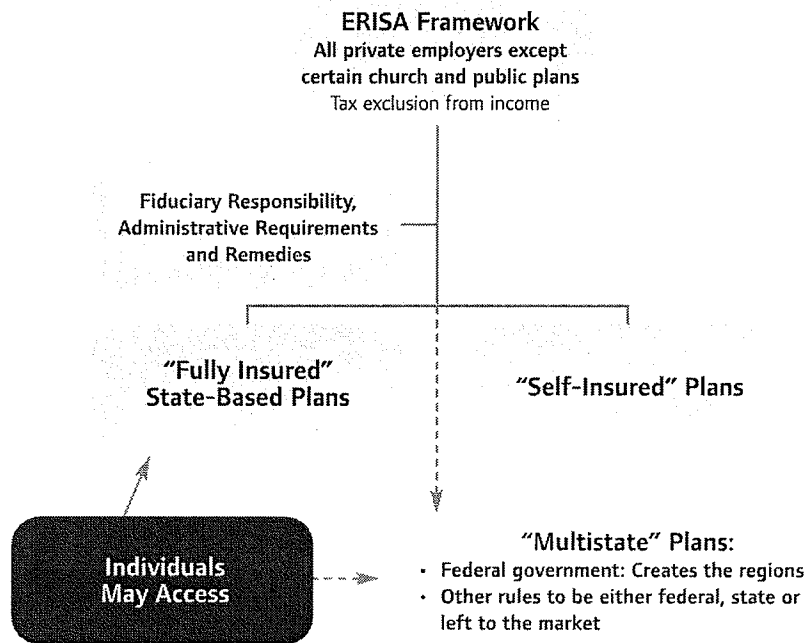
How Could Multistate Markets Be Established?

Establish Regions: HHS could establish regions, similar to those recently created under Medicare, to allow licensed insurance companies to compete in multistate areas where they hold at least one state license.

Create Framework Rules: HHS could establish, through the rule-making process, the regulations required for multistate markets. Regional plans would not have the benefit mandates; rather, they would have the flexibility to offer actuarially equivalent options driven by the market. The following issues would need to be addressed: benefit design, solvency requirements, rate setting, marketing regulations and possibly guaranteed issue requirements, risk adjustment, and reinsurance.

Create Interest in Multistate Markets: The multistate insurance market could be enlarged by encouraging participation through reinsurance adjustments that could help spread the cost of catastrophic cases across the multistate market or across the nation.

Policy Concept: Competitive Multistate Health Plans



The Benefits of Multistate Plans

- ▶ Individuals and small- and medium-sized businesses would all benefit from greater access to additional health insurance coverage options.
- ▶ Insurers and health plans would strive to become more competitive on cost and quality.
- ▶ Overall, multistate markets would improve competition, choice and access, which would result in better value for health care spending.

IV. Placing an Obligation on All Americans To Have Health Insurance Coverage

Although a majority of Americans do have health insurance coverage, there are others who do not. Some do not elect coverage from their employer or purchase coverage on their own because they cannot afford it. For those Americans, subsidies should be provided. Some Americans do not enroll in programs for which they are eligible, such as the State Children's Health Insurance Program, and Business Roundtable believes it is important to enhance education and enrollment opportunities. For all other Americans, it is an obligation that they elect health insurance coverage through their employers or purchase health insurance coverage. Through greater insurance coverage plans and bringing greater value to our health care system, the Roundtable believes the marketplace will provide employers and Americans more affordable options.

Specific principles:

- ▶ Impose an obligation on all Americans to obtain health insurance coverage that, at a minimum, offers catastrophic benefits; and
- ▶ Encourage all Americans to participate in employer- and community-based prevention and chronic care programs.

V. Offering Health Coverage and Assistance to Low-Income, Uninsured Individuals and Families

To ensure that all Americans can purchase health insurance coverage, the government would provide financial assistance to low-income, uninsured individuals and families.

Specific principles:

- ▶ Permit the individual or family to purchase private health insurance coverage with financial assistance through the private multistate marketplace; or
- ▶ For low-income Americans who have access to employer-sponsored health insurance, permit the individual or family to receive financial assistance for their portion of the premium.

Financing Health Insurance Coverage as a Safety Net for Low-Income Individuals and Families

Adopting reforms that would reorient our health care system toward consumer value would generate significant savings — savings that could be used to enhance the health insurance safety net for low-income Americans. For example, Medicare now is implementing e-prescribing, which is estimated to save \$2.1 billion over 10 years. Business Roundtable believes additional efforts to enhance efficiency and reward value rather than volume can produce additional savings, providing sufficient resources for the government to finance coverage for many individuals and families who cannot afford health insurance today.



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AT THE HEART OF HEALTH™

Perspectives

David B. Snow, Jr.
Medco Chairman and Chief Executive Officer

A Prescription for National Healthcare Reform



David B. Snow, Jr.
Chairman and Chief Executive Officer
Medco Health Solutions, Inc.

David B. Snow, Jr., Medco Chairman and Chief Executive Officer, is a healthcare industry veteran and innovator who has created and implemented solutions to manage the rising costs of health care for more than 30 years.

The following material is based on a presentation delivered by Mr. Snow to attendees at the National Press Club on September 9, 2008.

“The fact of the matter is that the United States is in serious need of major healthcare reform.”

Medicare is drifting toward disaster.

Those aren't my words. That's a thought expressed recently by U.S. Health and Human Services Secretary Michael Leavitt.

But that's only the tip of the iceberg. Beyond Medicare, it is apparent that the entire American healthcare system is on life support – suffocating under the unsustainable weight of \$2.1 trillion a year in spending.

For more than 30 years, first running hospitals and later health plans and managed health organizations, my passion has been to ensure that healthcare is accessible to as many people as possible. That's simply not possible unless healthcare is also affordable.

The fact of the matter is that the United States is in serious need of major healthcare reform.

The United States spends nearly \$7,000 per year, per person, on healthcare – two times the per capita healthcare spending of most other developed countries. However, the life expectancy, the perceived quality of care, and the healthcare inflation rate in each country are roughly equivalent to those of the United States.

In short, we're paying twice as much, but receiving little incremental value. It's a fundamental problem – and if the public and private sectors don't work together now to fix it, as a society we will be left with no choice other than to socialize healthcare under the federal government – eliminating choice, rationing care, and extinguishing innovation.

To restore balance, we need to reduce our cost base so that it's relatively consistent with that of other developed countries – and that means reducing costs by about \$1 trillion a year, nearly 50 percent.

*“First, keep it simple –
in business, complex
solutions always fail.”*

Although it won't be easy, it's not impossible. What follows are my guidelines for healthcare reform, followed by specific steps we can take to trim the \$1 trillion in waste. In addition to rebalancing our healthcare budget, we can create an investment fund for stimulating innovation and extending coverage for those who are currently uninsured.

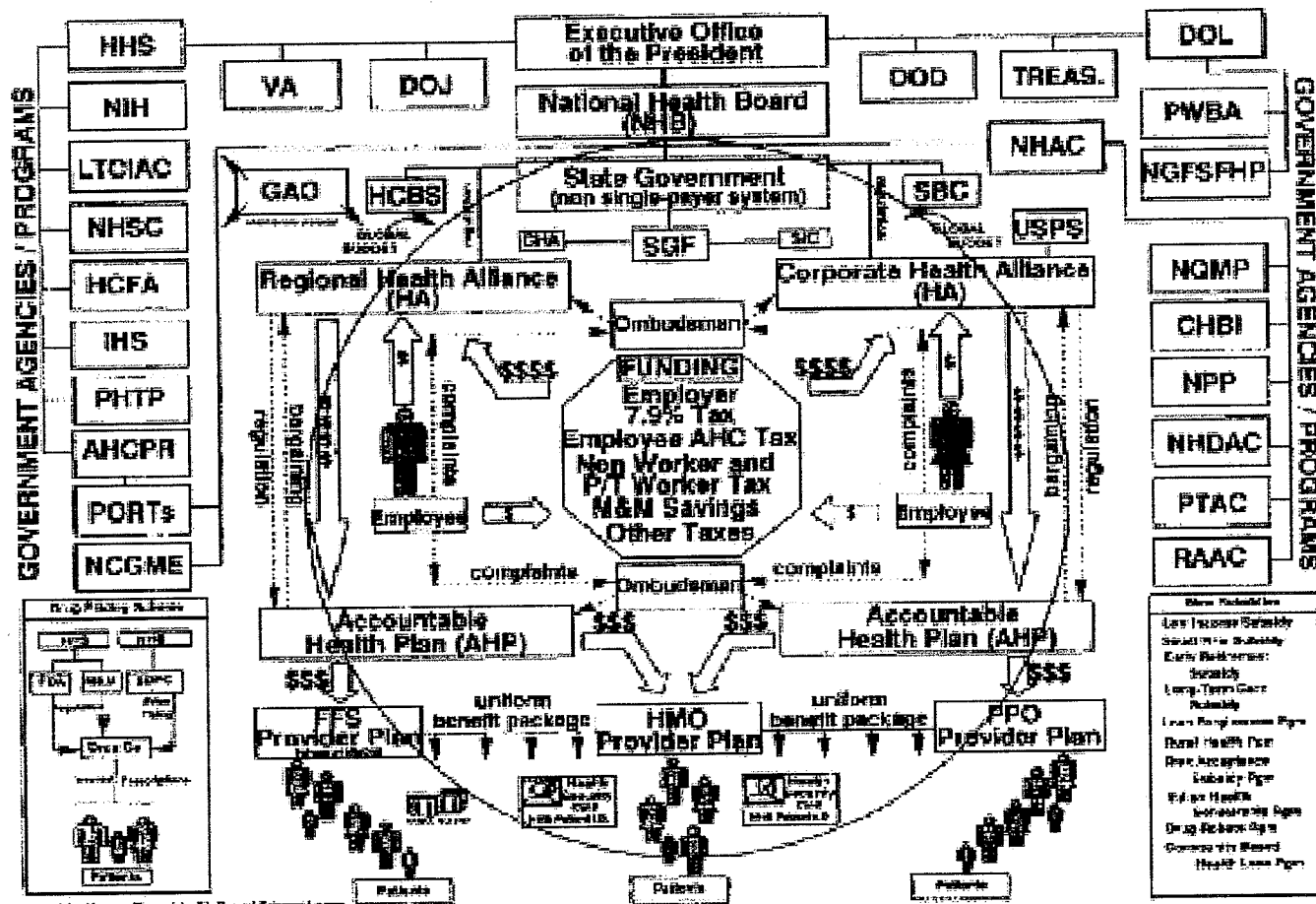
Three Rules for Reform:

- First, keep it simple – in business, complex solutions always fail.
- Second, revolutionary reform is rejected by our society; instead, we need incremental, evolutionary change with a deliberate and phased approach.
- Finally, and most importantly, we must define the roles of the private sector and the government. Each has an important but distinctly different responsibility and every time we cross those lines it results in failure – without exception.
 - The government's function is to promulgate and regulate.
 - The private sector's function is to operate and innovate.

In the early 1990s, several examples underscored the perils of violating one or several of these guiding principles.

You may recall that a plan was unleashed in Washington that purported to revolutionize healthcare in America by creating the largest, most complex government bureaucracy ever proposed. Depicted to the right, it advocated creation of no fewer than 200 government agencies.

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Prepared by Max per Rasmussen, Ph.D. and Solange Lasso
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“The reality is that our culture does not trust private sector entities to make these determinations.”

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The revolution failed and it was relegated to a footnote in the history of healthcare, serving now as little more than a poster child for well-intended but grossly misguided madness.

During that time, I was managing an HMO which, through a series of management techniques, was becoming increasingly effective at taming what had become runaway healthcare inflation. However, payors pressured HMOs to explore even more aggressive means of lowering costs and, without established public policy, the organizations became the de facto arbiter for setting new rules around healthcare protocols and standards of medicine.

The reality is that our culture does not trust private sector entities to make these determinations. Setting policy around life-and-death decisions is, and should remain, the province of the public sector, resulting from open discussion and public scrutiny.

So what happened? Despite the fact that HMOs successfully reversed healthcare inflation rates, the private sector was demonized in the press as politicians vilified HMOs for political gain. “Anti-managed care” regulations were promulgated and HMOs were rendered less effective. Costs again began to rise.

It is clear that rules of engagement should have been developed by government for the private sector to operate within. I liken these rules to guardrails on a highway.

What, then, should we do?

“Today, only about 20 percent of hospitals and 15 percent of physicians have access to electronic medical systems.”

I have five suggestions. Each is simple and leverages the appropriate roles of the public and private sectors in a manner that, taken as a whole and aggressively pursued in a phased approach, creates an opportunity to reduce current healthcare expenditures by as much as \$1 trillion. They include:

- Wiring Healthcare
- Fixing Medicare’s Financial Fundamentals
- Eliminating Medical Liability and Defensive Medicine
- Increasing Compliance and Reducing Errors
- Promoting Healthy Lifestyles

Wire Healthcare

By some independent estimates, we could save \$162 billion a year by wiring healthcare – which improves efficiency and accuracy and enables us for the first time to begin measuring everything from the quality of hospitals to the individual performance of care-givers.

Today, only about 20 percent of hospitals and 15 percent of physicians have access to electronic medical systems.

In an era when preschoolers use the Internet to chat with friends half a world away, it is inexcusable that doctors write paper prescriptions – in Latin – that patients need to take to another professional in a process fraught with countless opportunities for error.

“It’s estimated that e-prescribing would help avert more than 2 million adverse drug events each year.”

E-prescribing alone saves more than \$2 per prescription by eliminating errors – and allows prescribers to help consumers find the highest-value medicines for their course of treatment. It’s estimated that e-prescribing would help avert more than 2 million adverse drug events each year.

The technology for wiring healthcare is already in place. A Rand Corporation study estimates the return on investment is 20 times per year – in the private sector, that investment would be categorized as “a no-brainer.”

This is an area where government leadership through policy could become a catalyst for an immediate positive response by the private market. It’s happened once before.

In the 1970s, hospitals billed Medicare using a paper-based system that in its best day was inefficient and expensive. To stimulate change, the government promulgated payment rules whereby hospitals would be reimbursed only for claims that were submitted electronically. The private sector stepped in with technology solutions and, virtually overnight, electronic claims clearinghouses sprang up and all hospitals began billing electronically. Problem solved.

Fix Medicare

Medicare is considered “the third rail of politics” and suggesting revolutionary change is, politically, a nonstarter – even though the Medicare Trust Fund is expected to go bankrupt by 2019. That would become a crisis for the country and a tragedy for America’s seniors. We must confront difficult issues head-on.

When Medicare was conceived, relatively few workers reached retirement age. Today, thanks largely to modern medicine, we’re living much longer and, with the baby

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“Government needs to set policy and establish rational rules for the level of care based on medical science – it’s not the private sector’s role to pass judgment on hope.”

boomers retiring in large numbers and fewer workers to support each retiree, the system is buckling under the financial strain.

Although the financial fundamentals underpinning Medicare require intense review, few realize that 30 percent of Medicare spending today, roughly \$130 billion, relates to healthcare costs incurred by patients in their last year of life – often where there is no hope for recovery or improvement in quality of life.

Culturally, we are conditioned to expect and implement heroic methods, even in cases where treatment is futile, and often resulting in unintended negative and painful consequences for the patients and devastating financial consequences for Medicare.

This inherently uncomfortable issue forces us to confront our own mortality and requires strong leadership with candid conversation – it can’t be left to doctors, hospitals, or insurers. Government needs to set policy and establish rational rules for the level of care based on medical science – it’s not the private sector’s role to pass judgment on hope.

Protocols based on scientific standards would ease the burden on families, physicians and, yes, patients. This is not withholding or rationing essential healthcare – it’s stepping up to the important and necessary reality so that resources are available to those who can be helped.

Address Litigation and Defensive Medicine

Tort reform eliminates ridiculous litigation, averts the waste related to physicians performing unnecessary tests as they practice “defensive” medicine, and could reduce healthcare costs by another \$200 billion a year.

“Research shows that it currently takes 17 years from the time a medical protocol is proven effective to the time that it becomes a widely used standard of practice by physicians.”

This is challenging given the density of law degrees within the Beltway. Wiring healthcare would enable us to establish measurable and scientifically sound protocols for practicing medicine. Physicians who follow these documented protocols should be held harmless from liability. In this day and age, medical protocols are appropriate and reliable – medicine is a science, not an art. Culturally, we must move beyond the belief that every negative health outcome must be “somebody’s fault.”

Encourage Compliance and Reduce Errors

It has been independently documented that we could save another \$177 billion related to improving compliance and reducing errors.

The fact of the matter is that doctors are well paid to offer their advice, but all too often, patients simply don’t follow the instructions. In the case of diabetes, which currently afflicts 5 percent of the population and whose treatment accounts for 15 percent of all drug spending, only 7 percent of diabetic patients are controlling the three primary factors that could mitigate the effects of their disease and allow them to live a healthy and productive life.

As a result, this noncompliance may lead to blindness, renal failure, amputations, increased hospitalization, and other complications that magnify the suffering and the expense related to diabetes.

The burden is not the patients’ alone. Research shows that it currently takes 17 years from the time a medical protocol is proven effective to the time that it becomes a widely used standard of practice by physicians.

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The chart below, for instance, highlights that 35 years after the evidence was clear on the effectiveness of thrombolytic therapy to reduce heart attack and stroke, the protocol is followed by physicians only 20 percent of the time. And the case is similar for a wide range of standard procedures.

Adoption in Clinical Practice Lags Behind Evidence by Many Years		
Clinical Procedure	Landmark Trial	Current Rate of Use
Flu vaccine	1968	55.0%
Thrombolytic therapy	1971	20.0%
Pneumococcal therapy	1977	35.6%
Diabetic eye exam	1981	38.4%
Beta blockers after MI	1982	61.9%
Mammography	1982	70.4%
Cholesterol screening	1984	65.0%
Fecal occult blood test	1986	17.0%
Diabetes foot care	1993	20.0%

Source: Balas EA, Boren SA: *Managing clinical knowledge for health care improvement*. *Yearbook of Medical Informatics* 2000, pp65-70

“These are habitual, behavioral, and cultural issues that will require education and lifestyle modification – difficult challenges but critically important.”

Combined with wiring healthcare, these efforts could significantly impact the 7,000 deaths in the United States each year related to medication errors and reduce adverse drug events, which are responsible for as many as 7 percent of all hospitalizations.

Wellness and Prevention

Finally, we could reduce our healthcare spending by more than \$300 billion a year if we embraced the simple concept of wellness. Simple concept. Difficult implementation.

More than 10 percent of our overall medical spending – \$275 billion – is related to the self-inflicted conditions linked to obesity and smoking, with another \$38 billion associated with drug and alcohol abuse.

To that point, a new Medco analysis reveals that residents in states with the highest rates of obesity and smoking take twice the number of prescription medicines compared to residents in states with healthier population profiles.

These are habitual, behavioral, and cultural issues that will require education and lifestyle modification – difficult challenges but critically important. One only needs to travel abroad to understand the ways in which healthy lifestyles are culturally reinforced or supported by government initiatives.

This directly affects longevity, infant mortality, and our quality of life for those years in between.

Here's where we must have inspired and credible political leadership to fill the current void and raise the collective national consciousness.

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“Such initiatives are only likely to succeed if we make wellness a national imperative, something that requires political leadership and personal responsibility.”

Most of us can remember how government-led campaigns changed behavior through vivid imagery that etched into our memories messages with impact: Smokey Bear’s sad reminder that “Only you can prevent forest fires”; the crash-test dummies Vince and Larry, serving as a testimonial for seatbelt safety by suggesting that “You can learn a lot from a dummy”; the haunting image of a stoic Native American’s tear caused by roadside littering connected to a call to action, “People start pollution, and people can stop it”; and, of course – you’ll hear the sizzle in your head when I reference the line – “This is your brain on drugs.”

These campaigns built awareness and shaped the conscience of America – to the point where kids often pestered their noncompliant parents to “buckle up.” Today, buckling up is second nature.

The private sector can never be expected to drive behavioral change, although we’ve seen employers make valiant attempts at implementing programs to lower healthcare costs – efforts that unfortunately are doomed to fall short. These range from positive reinforcement – discounted health club memberships and bonuses for employees who meet certain fitness targets – to surcharges for employees who smoke.

Meantime, HMOs and other insurers have adopted low- or no-cost preventative programs for baby wellness visits, routine check-ups, mammographies, and other procedures that are designed to detect issues early instead of simply providing treatment after the fact.

Such initiatives are only likely to succeed if we make wellness a national imperative, something that requires political leadership and personal responsibility. In the end, each of us must take on greater accountability for making positive choices in our lifestyle and in becoming more educated and empowered consumers of healthcare services.